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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION
Item 49 ID#4160
RESOLUTION E-3907
January 13, 2005

R E S O L U T I O N

Resolution E-3907. San Diego Gas and Electric Company (SDG&E) requests authorization to expand Assembly Bill 1X rate protection for non-residential CARE customers currently taking service under Schedule E-LI.

SDG&E's request is approved with modifications.

By Advice Letter 1627-E Filed on October 8, 2004

SUMMARY

SDG&E's request to expand Assembly Bill 1X rate protection to non-residential CARE customers taking service under Schedule E-LI is approved with modifications.

SDG&E's request to expand the AB 1X protection to non-residential CARE customers is granted. By AL 1627-E, SDG&E requests permission to extend Assembly Bill (AB) 1X rate protection to its non-residential customers taking service under Schedule E- LI (Expanded CARE) retroactive to April 11, 2004. In this Draft Resolution, we approve SDG&E's request to provide Expanded CARE customers with AB 1X rate protection similar to residential CARE customers.

ORA's request that the resulting revenue shortfall be tracked in a separate sub-account of ERRA (instead of SDG&E's proposal to combine it with the AB 1X shortfall account) is granted. SDG&E proposed to track the resulting shortfall in the AB 1X Shortfall Account of the Energy Resource Recovery Account (ERRA). This Draft Resolution adopts ORA's recommendation and directs SDG&E to establish a separate subaccount of the ERRA to record the shortfall resulting from implementing this rate reduction.

BACKGROUND

Pursuant to D.04-02-057, SDG&E submitted a compliance Advice Letter adjusting residential rates that do not exceed 130% of baseline to comply with AB 1X.

D.04-02-057 directed SDG&E to reduce residential customers' total rates for usage up to and including 130% of baseline to AB 1X levels (rates as of February 1, 2001). D.04-02-057 determined that Water Code section 80110, added by AB 1X, protects residential customers from rates that exceed February 1, 2001 levels for residential usage up to and including 130% of baseline.

In compliance with D.04-02-057, effective April 11, 2004, SDG&E filed AL 1580-E, which reduced commodity rates contained in Schedule EECC, Electric Energy Commodity Cost, such that total rates for residential usage up to 130% of baseline are equal to those in effect on February 1, 2001. The rate adjustment affected all residential rate schedules, including Schedule DR-LI, residential CARE. The commodity shortfall resulting from the AB 1X adjustment is recorded in a subaccount of the ERRA, the AB 1X shortfall account, for future recovery.

SDG&E filed AL 1627-E to provide non-residential CARE customers the AB 1X rate protection afforded to residential CARE customers.

By AL 1627-E, SDG&E proposes to provide AB 1X rate protection to CARE customers, such as non-profit living facilities, migrant farm worker housing centers, and agricultural employee housing centers, currently taking service under a non-residential rate schedule, Schedule E-LI. Because the AB 1X rate protection SDG&E implemented via AL 1580-E applies only to customers taking service under residential rate schedules, these Expanded CARE customers did not receive the total rate protection that residential CARE customers have received since April 11, 2004, as provided by D.04-02-057.

SDG&E states that these customers, though served on a non-residential rate schedule, should receive similar AB 1X rate protection afforded to residential CARE customers. SDG&E states that extending AB 1X rate protection to non-residential CARE customers furthers the Commission's goal of protecting low-income rate payers from the consequences of the California energy crisis of 2000-2001.

SDG&E proposes to reduce Schedule E-LI's commodity rate to provide AB 1X protection retroactive to April 11, 2004 and record the resulting commodity shortfall in the AB 1X Shortfall Account of the ERRA.

SDG&E proposes to provide Expanded CARE customers with AB 1X rate protection by reducing their commodity rates (EECC rates for Schedule E-LI) to the average commodity rates paid by residential CARE customers, retroactive to April 11, 2004. The shortfall resulting from this retroactive implementation (from April 11, 2004 through December 31, 2004) totals approximately \$300,000. SDG&E estimates that the commodity shortfall resulting from the adjustment to the commodity rate on a going forward basis will total approximately \$400,000 per year.

SDG&E proposes to prospectively reduce Schedule E-LI's commodity rate by \$0.01706 per kWh to provide Expanded CARE customers with AB 1X rate protection. Additionally, SDG&E proposes reducing the commodity rates by an additional \$0.01190 per kWh over a twelve-month period beginning January 1, 2005 to reflect the rate protection due to Schedule E-LI customers from April 11, 2004 through December 31, 2004. SDG&E proposes that the commodity shortfall resulting from this rate adjustment be recorded in the AB 1X Shortfall Account of the ERRA for future recovery.

NOTICE

Notice of AL 1627-E was made by publication in the Commission's Daily Calendar. SDG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

PROTESTS

Advice Letter AL 1627-E was protested.

SDG&E's Advice Letter AL 1627-E was timely protested by the Office of Ratepayer Advocates (ORA) on October 28, 2004.

SDG&E responded to the protests of ORA on November 4, 2004.

The following is a more detailed summary of the major issues raised in the protest.

ORA supports the rate adjustment for Expanded Care Customers proposed by SDG&E , but filed a limited protest to disagree with SDG&E's proposal to record the revenue shortfall resulting from the rate reduction in the AB 1X subaccount of the ERRA.

ORA supports the proposed rate reduction for Expanded CARE customers , but disagrees with the inclusion of the resulting shortfall in the AB 1X Shortfall Account. Instead, ORA recommends that the shortfall be included in the CARE balancing account or another appropriate account that will ensure the fair allocation of the shortfall among customer classes.

ORA argues that CARE-related costs are typically included in the CARE balancing account, and are allocated to other customer classes through an established allocation process. ORA asserts that it is not yet clear how amounts in the AB 1X Shortfall Account will be allocated. ORA contends that an allocation of the AB 1X shortfall account may be inconsistent with the treatment of other CARE program costs. ORA states that because Expanded CARE customers are served under a non-residential tariff, it would be inappropriate to potentially limit the recovery of these costs to residential customers.

In its response, SDG&E maintains that recording the Expanded CARE rate reduction in the AB 1X subaccount of the ERRA is appropriate and preferable to ORA's contention that the shortfall should be recorded in the CARE balancing account. SDG&E argues that because the shortfall resulting from implementing the AB 1X rate protection to residential CARE customers is recorded in the AB 1X subaccount of the ERRA, it is appropriate to similarly treat any shortfall resulting from the rate reduction for Expanded CARE customers.

DISCUSSION

Energy Division has reviewed AL 1526-E, ORA's protest, and SDG&E's response to ORA's protest. Discussion of the relevant facts that lead to the approval and modifications of this advice letter is below.

SDG&E's request to provide AB 1X rate protection to Expanded CARE customers is approved.

The proposed rate reduction would restore Expanded CARE customers' total rates to their February 1, 2001 level, consistent with the Commission's policy goals.

The Commission has consistently stated its goal to protect low-income ratepayers from the consequences of the California energy crisis. In D.01-01-018 and D.01-03-082, we adopted the policy that surcharges resulting from the high wholesale energy prices of 2000 and 2001 should not be borne by low-income customers eligible for the CARE program¹. CARE customers were exempted from the rate increase authorized by D.01-09-059, which allowed SDG&E to collect the revenue requirement of the Department of Water Resources.

D.04-02-057 determined that Water Code Section 80110, added by AB 1X, provides protection to residential customers so that total retail rates for residential usage up to 130% of baseline cannot exceed February 1, 2001 levels. By AL 1580-E, SDG&E prospectively adjusted its total commodity rates contained in Schedule EECC, Electric Energy Commodity Cost, to comply with that statute. D.04-02-057 did not consider reducing rates for expanded CARE customers.

We cannot justify disparate treatment of Expanded CARE customers based solely on their taking service on a non-residential rate schedule. Further, the rate reduction for Expanded CARE customers is consistent with the policy goals underlying D.04-08-045, which approved a petition to modify D.03-07-29, to provide rate protection to non-residential CARE customers of Southern California Edison².

ORA's recommendation that the resulting shortfall be tracked in another appropriate account is approved.

The shortfall resulting from the Expanded CARE rate reduction shall be placed in a separately identified subaccount of the ERRA. The disposition of the Expanded CARE shortfall will be determined in a future proceeding. Therefore, by including the Expanded CARE rate reduction as a separate subaccount of the ERRA, the allocation of the shortfall will be dealt with in an appropriate

¹ D.01-01-018, Conclusion of Law 8 and D.01-03-082, Conclusion of Law 16 and 30

²In D.04-08-045, the Commission corrected an unintended consequence of D.03-07-029, which resulted in an increase in commercial CARE rates. D.03-07-029 did not result in a rate increase for domestic CARE customers.

proceeding before the Commission and the separate tracking of the shortfall will not prejudice the allocation of its recovery.

ORA's protest that the shortfall associated with rate relief to Expanded CARE customers be tracked separately from the AB 1X shortfall is granted. However, we do not require that SDG&E track this shortfall in the CARE balancing account as suggested by ORA, because tracking the shortfall in the CARE balancing account prejudices the allocation of its recovery. D.03-04-027 authorized SDG&E to annually file an advice letter to amortize its public purpose program regulatory accounts, including the CARE balancing account, and to reflect the amortization in public purpose program rates to become effective January 1 the following year. Because the Schedule E-LI is unique in that service is provided on a non-residential rate schedule yet customers will receive AB 1X rate relief similar to that afforded to residential CARE customers, the resultant shortfall should be tracked in a separate balancing account until the disposition of the shortfall is determined in an appropriate proceeding before the Commission.

SDG&E shall file an advice letter to demonstrate that the Schedule E-LI commodity rate reduction authorized by this Order is implemented and tracked appropriately.

SDG&E shall begin charging the revised Expanded CARE commodity rates to customers on Schedule E-LI as proposed in AL 1627-E within 30 days of today's date. SDG&E shall file an advice letter within 14 days of the effective date of this Resolution that demonstrates that the commodity rate reduction authorized by this Order is implemented and the shortfall tracked appropriately in a newly established subaccount of the ERRA, including revised tariff sheets.

SDG&E shall inform its Schedule E-LI customers of the rate reduction by letter prior to issuing the first billing statement charging the revised commodity rate. In this letter, SDG&E shall inform customers of the reduced commodity rate, including an explanation of the additional rate reduction provided for one calendar year to provide Expanded CARE customers AB 1X total rate protection retroactively beginning April 11, 2004. One month prior to the expiration of the rate adjustment resulting from providing Expanded CARE customers AB 1X rate protection retroactively beginning April 11, 2004, SDG&E shall again inform its Schedule E-LI customers by letter of changes in the commodity rate, including an explanation of changes resulting from the expiring credit.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and placed on the Commission's agenda no earlier than 30 days from the date mailed. No parties submitted comments on this draft resolution.

FINDINGS

1. SDG&E filed Advice Letter (AL) 1627-E on October 8, 2004.
2. SDG&E requests that AL 1627-E become effective January 1, 2005.
3. ORA filed a limited protest to AL 1627-E on October 28, 2004.
4. SDG&E responded to the protest of ORA on November 4, 2004.
5. SDG&E filed AL 1580-E to prospectively adjust total residential rates, including residential CARE rates, for usage up to and including 130% of baseline to February 1, 2001 levels to comply with D.04-02-057.
6. Commission Decisions D.01-01-018, D.01-03-082, and D.01-09-059 have consistently exempted CARE customers from surcharges and rate increases.
7. SDG&E's request to provide AB 1X rate protection to expanded CARE customers is approved.
8. ORA's protest is approved in part as described in the Discussion section of this Resolution.
9. SDG&E shall establish a subaccount of the ERRRA to track the shortfall resulting from the Expanded CARE rate reduction.

THEREFORE IT IS ORDERED THAT:

1. The request of SDG&E to provide AB 1X rate protection for non-residential CARE customers taking service under Schedule E-LI as requested in Advice Letter AL 1627-E is approved with modifications effective today.

2. Within 30 days of today's date SDG&E shall issue rate adjustments to provide AB 1X rate protection to Schedule E-LI beginning April 11, 2004.
3. Within 30 days of today's date SDG&E shall also prospectively adjust the Schedule E-LI commodity rate to provide Expanded CARE customers with AB 1X rate protection on a going forward basis.
4. SDG&E shall inform its Schedule E-LI customers of the rate reduction by letter prior to receiving the first billing statement charging the revised Expanded CARE commodity rate
5. SDG&E shall inform its Schedule E-LI customers by letter of changes in the Schedule E-LI commodity rate prior to the expiration of the retroactive rate adjustment (for the period April 11, 2004- December 31, 2004).
6. SDG&E shall establish subaccount of the ERRA to record the shortfall resulting from the bill credits required by this Order for future recovery.
7. SDG&E shall file an advice letter within 14 days of the effective date of this Resolution to demonstrate that the commodity rate reduction authorized by this Order shall take effect and the commodity revenue shortfall resulting from this rate adjustment is recorded in a separately identified subaccount of the ERRA.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on January 13, 2004 the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
CARL W. WOOD
LORETTA M. LYNCH
GEOFFREY F. BROWN
SUSAN P. KENNEDY
Commissioners